MEDITERRANEAN MARITIME HUB FINANCE p.l.c.

Annual Report and Financial Statements
31 December 2019

Company Registration Number: C76597

Directors' report

The directors have prepared this report in accordance with Article 177 of the Companies Act (Chapter 386 of the Laws of Malta) ('the Act') including the further provisions as set out in the Sixth Schedule to the Act together with the financial statements of the Company for the year ended 31 December 2019.

Directors, Officers & Other Information

Directors: Mr Paul Abela (Chairman)
Dr Michael Borg Costanzi
Mr Lino Casapinta
Mr Raymond Ciantar
Mr Victor Denaro
Ms Angelique Maggi

Company Secretary:
Dr Michael Zammit Maempel

Registered Office:
Mediterranean Maritime Hub,
Xatt il-Mollijiet,
Marsa MRS 1152
Malta

Country of Incorporation: Malta

Company Registration Number: C 76597

Auditors: PricewaterhouseCoopers,
78, Mill Street,
Qormi QRM 3010
Malta

Principal bankers:
Bank of Valletta plc,
58, Zachary Street
Valletta VLT 1130
Malta

Principal Activities

The Company's business is that of raising funds to support and finance the operations and capital projects of the MMH Group of Companies (hereinafter the 'Group'), which provides offshore and shore-based logistics to the marine and oil and gas industries, as well as engineering services, supply chain management and human resources to support the same industries.

Directors' report - continued

Review of the Business

The Company issued bonds to the public in October 2016 for the total amount of EUR 15m (the 'Bonds'). The Company advanced the proceeds of the Bonds to two companies within the Group to finance the development of a site measuring almost 170,000m^2 in Malta's Grand Harbour, formerly known as the Marsa Shipbuilding Site, to serve as a regional hub for the provision of the Group's shore-based services and facilities (hereinafter the 'Mediterranean Maritime Hub' or the 'Site' or 'Hub'). Following a public deed published on the 1st August, 2016, the Guarantor (MMH Holdings Limited) took full possession of this Site which is partly operational and partly under development.

The Company recognises that the key risk of its business is that of the potential non-fulfilment by the borrowers (that is, the two Group members) of their obligations under the relative loan agreements; and due to the borrowers' operations, this risk is impacted by developments in the oil and gas industry.

Financial risk management

The company's financial risk management objectives and policies, and the exposure to market risk, credit risk and liquidity risk have been disclosed in Note 2 of these financial statements.

Guarantor's Performance for 2019 and Outlook for 2020

MMH Holdings Limited is the guarantor of the Bonds and is also the parent company of the Group. As such, its performance is dependent on the performance of the Group as a whole.

During the year under review, the Group continued with the development of the Hub in line with its ten-year plan. The amount invested in the Hub during the year totalled EUR 4.6m, with this investment consisting mostly of infrastructural improvements to quays, yard and buildings as well as the purchase of specialised equipment. The total investment in the Hub at cost at end of 2019 reached EUR 32m.

Efforts to attract major oil and gas projects to the Hub continued through the year under review. Whilst major interest was shown in the Hub and the services it can offer, no major projects in the immediate region took off.

The price of OPEC oil for 2019 averaged USD 64 per barrel (source: www.statista.com), slightly lower than the year before, however, the activity in the industry has now declined again as a result of the record low prices of crude oil that are being registered in 2020.

The Group continued to pursue its efforts to identify new markets and clients in the range of services it provides. In fact, the new revenue streams that the Group embarked on in the year under review, especially the vessel-hoisting facilities and maintenance on vessels, have exceeded expected income and have shown persistent growth throughout.

In addition, the compensation received from Government agencies for the use of the temporary relief road currently passing through the Site has contributed to increase the profit for the year.

In 2019, Group sales increased by EUR 2.88m, leaving a profit of EUR 568,502 after tax (2018: loss of EUR 1,012,229). This notwithstanding the slow activity in the oil and gas industry.

Directors' report - continued

Guarantor's Performance for 2019 and Outlook for 2020 - continued

The outlook of the Guarantor for 2020 is, unfortunately, highly impacted by the COVID-19 pandemic. Although, at the time of approving these financial statements, the Group's operations are all open for business and could be pursued to a certain extent during the pandemic so far, the global impact of the pandemic has and will surely have a negative impact on the Group's outlook for the next twelve months. This is due to the far reaching implications of the pandemic, amongst which are the consequences of the fall of crude oil prices, which are reaching unprecedented lows that no one would have ever conceived.

As a result, the future of the Hub, which is the main business of the Group, is inevitably unclear and, like most industries across the world, the Group has found itself in a situation where it has to adapt quickly and is so doing in order to move forward recognising that the effects of the pandemic are constantly changing.

COVID-19 Pandemic Assessment

The Company has carried out an assessment of COVID-19 and its implications, and it has established that the impact of the pandemic is only that which effects the operations of the Group.

The Group has carried out an assessment of the potential impact that the pandemic will have on its operations, focusing primarily on the coming year. The Group has also taken various measures to significantly reduce the risk of a mandatory fourteen-day lockdown in the case that any Group employee contracts the virus. This assessment and the said measures were shared with the Company.

The Group has prepared detailed cash flow forecasts to measure the impact of the reduction in the Group's revenue and of the several cost-cutting measures that are being taken to minimse the effect of the crisis. Cash flow forecasts were prepared for the 12-month period ending March 2021 on the basis of a number of assumptions, which as deemed by management to be as realistic as possible with the information and data in hand at the time of approving these financial statements.

The cash flow forecast presented by the Group indicates that sufficient cash will be generated throughout the next twelve months to enable the Group to meet its financial commitments. Included in these commitments is the payment of Bond interest due in October 2020. The Company notes that the cash flow forecast also shows that the Group does not have a strong buffer that could cater for any adverse diversions from the anticipated activity. This results from the impact of COVID-19, as well as from the substantial investment undertaken by the Group in the development of the Hub.

Having said that, the Company is informed that further financing is being sought by the Group as a safeguard to make good for any such variances, if they occur. The Company is informed that the Group is confident that, with the COVID-19-related Government assistance in place, such financing should be forthcoming. Furthermore, other measures are being considered by the Group to strengthen its ability to realise the Hub's potential as soon as possible once the pandemic is over.

In any case, the Company has already secured funds to cover a considerable part of the Bond interest due in October 2020, leaving the remaining balance to be financed by the Group before such due date.

Directors' report - continued

Going Concern Statement

Pursuant to Listing Rule 5.62, the Directors declare that after making enquiries, at the time of approving the financial statements, and after having considered the Group's cash flow forecast and the funds available in hand, they have determined that the Company has the needed resources to continue operating for the next twelve months. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

Results and Dividends

The results for the year ended 31 December 2019 are shown in the statements on page 19 hereof. No interim dividend was declared or paid out during the year. No final dividend is being recommended.

Statement of Directors' Responsibilities for the Financial Statements

The directors are required by the Act to prepare financial statements that give a true and fair view of the state of affairs of the Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with international financial reporting standards as adopted within the European Union;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal controls. These controls serve to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that these statements comply with the Act. The directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Mediterranean Maritime Hub Finance p.l.c. for the year ended 31 December 2019 are included in the Annual Report 2019, which is published in hard-copy printed form and may be made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Directors' report - continued

Statement of Responsibility pursuant to the Listing Rules issued by the Listing Authority

We confirm to the best of our knowledge:

(a) In accordance with the Listing Rules, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted within the European Union; and

(b) In accordance with the Listing Rules, the directors' report includes a fair review of the performance of the business and the position of the Issuer, together with a description of the principal risks and uncertainties that they face.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

Paul Abela
Director

Raymond Ciantar
Director

Registered office:
Mediterranean Maritime Hub
Xatt il-Mollijiet
Marsa
Malta

30 April 2020

Corporate governance - Statement of compliance

Introduction

Pursuant to the requirements of the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority, Mediterranean Maritime Hub Finance p.l.c. (the 'Issuer' or the 'Company') (a subsidiary of MMH Holdings Limited – the 'Guarantor') hereby reports on the extent to which the Company has adopted the "Code of Principles of Good Corporate Governance" (the "Code") appended to Chapter 5 of the Listing Rules, as well as the measures adopted to ensure compliance with these same Principles.

The Board of Directors of the Company (the 'Board') notes that the Code does not dictate or prescribe mandatory rules but recommends principles of good practice. Nonetheless, the Board strongly maintains that the Principles are in the best interest of both shareholders as well as investors, since they ensure that the Directors adhere to internationally recognised high standards of corporate governance.

The Board recognises that in line with Listing Rule 5.101, the Company is exempt from making available the information set out in Listing Rules 5.97.1 to 5.97.3, 5.97.6 and 5.97.8.

Roles and responsibilities

The Board acknowledges its statutory mandate to conduct the administration and management of the Company. The Board, in fulfilling this mandate and discharging its duty of stewardship of the Company, assumes responsibility for:

- the Company's strategy and decisions with respect to the issue, servicing and redemption of the Bonds;
- monitoring that its operations are in conformity with its commitments towards bondholders, shareholders, other external financiers and all relevant laws and regulations.

The Board is also responsible for ensuring that the Company installs and operates effective internal control and management information systems and that it communicates effectively with the market.

Board of Directors

The Company has six Directors who are appointed by its ultimate principal shareholder, MMH Holdings Limited.

For the financial year ended 31 December 2019, three of the Directors, Mr Paul Abela, Mr Raymond Ciantar and Ms Angelique Maggi, occupied senior executive positions within the Group. The remaining three Directors, Dr Michael Borg Costanzi, Mr Lino Casapinta and Mr Victor Denaro serve as non-executive and independent Directors. These Directors are each free of any business, family or other relationship with the Issuer, its controlling shareholder or the management of either.

In assessing the independence of Dr Borg Costanzi, Mr Casapinta and Mr Denaro, due notice has been taken of Section 5.117 of the Listing Rules.

Corporate governance - Statement of compliance - continued

The exercise of the role of the Board

The activities of the Board are exercised in a manner designed to ensure that it can effectively supervise the operations of the Company and protect the interests of bondholders, external borrowers and the shareholders.

Meetings of the Board were held as frequently as considered necessary. Individual Directors, apart from attendance at formal Board meetings, participate in other informal meetings during the year as may be required, either to assure good corporate governance, or to contribute more effectively to the decision-making process.

The Board members are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting documents as necessary. All agenda items were then discussed during the Board meetings held during 2019.

Apart from setting the strategy and direction of the Company, the Board retains direct responsibility for approving and monitoring:

- direct supervision, supported by expert professional advice as appropriate, on the issue and listing of bonds;
- that the proceeds of the Bonds are applied for the purposes for which they were sanctioned as specified in the offering memoranda of the Bonds;
- proper utilisation of the resources of the Company;
- approval of the annual report and financial statements and of relevant public announcements and for the Company's compliance with its continuing listing obligations.

The Board does not consider necessary to institute separate committees such as the remuneration and the nomination committees, as would be appropriate in an operating company. This is largely due to the fact that the Company does not have any employees.

Risk Management and Internal Control

The Board recognises that the Company must manage a range of risks in the course of its activities and the failure to adequately manage these risks could adversely impact the business. Whilst no system can provide absolute guarantees and protection against material loss, the risk management systems are designed to give the Directors reasonable assurance that problems can be identified promptly and remedial action can be taken as appropriate.

The Board maintains sound risk management and internal control systems. It is responsible for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. The Board establishes formal and transparent arrangements to apply risk management and internal control principles, as well as maintaining an appropriate relationship with the Company's auditors.

Audit Committee

The Terms of Reference of the Audit Committee, which were approved by the Listing Authority of the Malta Financial Services Authority, are modelled on the principles set out in the Listing Rules themselves. The Audit Committee assists the Board in fulfilling its supervisory and monitoring responsibility by reviewing the Group financial statements and disclosures, and monitoring the system of internal control established by management, as well as the audit process.

Corporate governance - Statement of compliance - continued

Audit Committee - continued

The Audit Committee, established by the Board, meets regularly, with a minimum of four times annually, and is currently composed of the following individuals:

- Mr Lino Casapinta (Chairman)
- Dr Michael Borg Costanzi
- Mr Victor Denaro

All three members are non-executive Directors. Furthermore, Mr Lino Casapinta is an independent non-executive Director of the Company who the Board considers to be competent in accounting and/or auditing in terms of the Listing Rules.

The Chief Financial Officer and the Senior Executive of the Finance Function are regularly invited to attend Audit Committee meetings.

The Audit Committee held five meetings throughout 2019. Communication with and between the Company Secretary, top level management and the Committee is ongoing and considerations that required the Committee's attention are acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

As required by the Companies Act (Chapter 386 of the Laws of Malta) and the Malta Financial Services Authority Listing Rules, the financial statements of the Company are subject to annual audit by its external auditors. In addition, the non-executive Directors have direct access to the external auditors of the Company, who attend the Board meetings at which the Company's financial statements are approved. Moreover, in ensuring compliance with other statutory requirements and with continuing listing obligations, the Board is advised directly, as appropriate, by its appointed broker, legal advisor and the external auditors. Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Company's expense.

The Company has formal mechanisms to monitor dealings by Directors and senior officials in the Bonds of the Company and has also put in place the appropriate mechanisms for the advance notification of such dealings.

Relations with the Market

The market is kept up to date with all relevant information, and the Company regularly publishes such information on its website to ensure consistent relations with the market.

Corporate governance - Statement of compliance - continued

Remuneration Statement

Pursuant to the Company's Memorandum and Articles of Association, the maximum annual aggregate emoluments that may be paid to the Directors is approved by the shareholders in General Meeting. Furthermore, the remuneration of Directors is a fixed amount per annum and does not include any variable component relating to profit sharing, share options or pension benefits.

During the year under review, the Directors received emoluments amounting in total to €50,000.

Approved by the Board of Directors and signed on its behalf on 30 April 2020 by:

Mr. Paul Abela
Director

Mr. Raymond Ciantar
Director

Independent auditor's report

To the Shareholders of Mediterranean Maritime Hub Finance p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- Mediterranean Maritime Hub Finance p.l.c.'s financial statements give a true and fair view of the company's financial position as at 31 December 2019, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Mediterranean Maritime Hub Finance p.l.c.'s financial statements set out on pages 18 to 36 comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the company, in the period from 1 January 2019 to 31 December 2019, are disclosed in note 12 to the financial statements.

Independent auditor’s report - continued

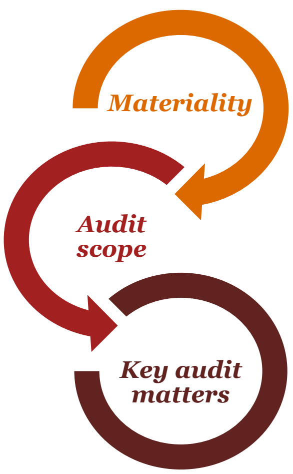
To the Shareholders of Mediterranean Maritime Hub Finance p.l.c.

Emphasis of matter

We draw attention to Note 17 in these financial statements which addresses developments in connection with COVID-19 pandemic, and the potential impact on financial and operational performance. This matter is considered to be of fundamental importance to the users’ understanding of the financial statements because of the potentially unfavourable nature of these developments, and the impact they could have on the basis of preparation of these financial statements. Our opinion is not modified in respect of this matter.

Our audit approach

Overview



- *Overall materiality: €76,000, which represents 0.5% of total assets*

- *Recoverability of loans issued to parent company and fellow subsidiary.*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	€76,000
How we determined it	0.5% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is an appropriate measure for this type of entity. We chose 0.5% which is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €3,800 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Recoverability of loans issued to parent company and fellow subsidiary	
Loans and receivables include funds advanced to the parent company, MMH Holdings Limited (the Guarantor of the bonds), and a fellow subsidiary, MMH Malta Limited. Loan balances with these related parties as at 31 December 2019 amounted to €14.8 million. As explained in accounting policy note 1.3, the recoverability of the loans is assessed at the end of each financial year. The loans are the principal asset of the company, which is why we have given additional attention to this area.	We have agreed the terms of these loans to supporting loan agreements. We have assessed the financial soundness of the parent company, MMH Holdings Limited, which is also the guarantor of the company's bonds, and that of the fellow subsidiary, MMH Malta Limited. In doing this, we referred to the latest audited financial statements, management accounts, cash flow projections, forecasts, the related COVID-19 assessment and other prospective information made available to us. Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of these loans.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap.386).

Independent auditor's report - continued

To the Shareholders of Mediterranean Maritime Hub Finance p.l.c.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company’s ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the company and the disruption to its business and the overall economy.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report - *continued*

To the Shareholders of Mediterranean Maritime Hub Finance p.l.c.

Report on other legal and regulatory requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 6 to 9 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese Companies Act (Cap.386) to report to you if, in our opinion:
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.

- under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

We have nothing to report to you in respect of these responsibilities.

Independent auditor's report - *continued*

To the Shareholders of Mediterranean Maritime Hub Finance p.l.c.

Appointment

We were first appointed as auditors of the Company on 26 July 2016. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of four years.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Stefan Bonello
Partner

30 April 2020

Statement of financial position

	Notes	At 31 December	
		2019	2018
		€	€
ASSETS			
Non-current assets			
Loans receivable from related parties	4	**14,750,000**	14,750,000
Total non-current assets		**14,750,000**	14,750,000
Current assets			
Trade and other receivables	5	**410,398**	470,259
Cash and cash equivalents	6	**123,870**	1,662
Total current assets		**534,268**	471,921
Total assets		**15,284,268**	15,221,921
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	**250,000**	250,000
Retained earnings		**128,843**	79,794
Total equity		**378,843**	329,794
Non-current liabilities			
Borrowings	8	**14,741,187**	14,709,896
Total non-current liabilities		**14,741,187**	14,709,896
Current liabilities			
Trade and other payables	9	**164,238**	182,231
Total current liabilities		**164,238**	182,231
Total liabilities		**14,905,425**	14,892,127
Total equity and liabilities		**15,284,268**	15,221,921

The notes on pages 22 to 36 are an integral part of these financial statements.

The financial statements on pages 18 to 36 were authorised for issue by the board of directors on 30 April 2020 and were signed on its behalf by:

Paul Abela
Director

Raymond Ciantar
Director

Statement of comprehensive income

		Year ended 31 December	
	Notes	**2019**	2018
		€	€
Finance income	10	**877,625**	877,625
Finance costs	11	**(751,292)**	(749,771)
Net interest income		**126,333**	127,854
Administrative expenses	12	**(77,284)**	(77,917)
Profit before tax		**49,049**	49,937
Tax expense	13	**-**	(17,478)
Profit for the year - total comprehensive income		**49,049**	32,459

The notes on pages 22 to 36 are an integral part of these financial statements.

Statement of changes in equity

	Share capital €	Retained earnings €	Total €
As at 1 January 2018	250,000	47,335	297,335
Comprehensive income			
Profit for the year - total comprehensive income	-	32,459	32,459
Balance at 31 December 2018	**250,000**	**79,794**	**329,794**
As at 1 January 2019	250,000	79,794	329,794
Comprehensive income			
Profit for the year - total comprehensive income	-	49,049	49,049
Balance at 31 December 2019	**250,000**	**128,843**	**378,843**

The notes on pages 22 to 36 are an integral part of these financial statements.

Statement of cash flows

	Notes	2019 €	2018 €
		Year ended 31 December	
Cash flows from operating activities			
Cash from/(used in) operations	15	**122,208**	(40,153)
Net cash from/(used in) operating activities		**122,208**	(40,153)
Net movement in cash and cash equivalents		**122,208**	(40,153)
Cash and cash equivalents at beginning of year		**1,662**	41,815
Cash and cash equivalents at end of year	6	**123,870**	1,662

The notes on pages 22 to 36 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the company's accounting policies (Note 3 - Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2019

In 2019, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2019. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements that are mandatory for the Company's accounting periods beginning after 1 January 2019. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU.

The directors are of the opinion that there are no requirements that will have a significant impact on the financial statements of the company in the period of initial application.

1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within administrative expenses.

1. Summary of significant accounting policies - continued

1.3 Financial assets

Classification

The company classifies its financial assets as financial assets measured at amortised costs. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The company classifies its financial assets as at amortised cost only if both the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and

- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Interest income on debt instruments measured at amortised cost from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition of these instruments is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

1. Summary of significant accounting policies - continued

1.3 Financial assets - continued

Impairment

The company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The company's financial assets are subject to the expected credit loss model.

Expected credit loss model

The company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, and it considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the borrower or issuer, or a breach of contract such as a default or being more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

1. Summary of significant accounting policies - continued

1.4 Trade and other receivables

Trade receivables comprise amounts due from parent and fellow subsidiary for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Details about the company's impairment policies and the calculation of loss allowance are provided in note 1.3.

1.5 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term which are subject to an insignificant risk of changes in value.

1.6 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

1.7 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Issue costs incurred in connection with the issue of the bonds include professional fees, publicity, printing, listing, registration, underwriting, management fees, selling costs and other miscellaneous costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

1.8 Trade and other payables

Trade payables comprise obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1. Summary of significant accounting policies - continued

1.9 Financial liabilities

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities'). These financial liabilities are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.11 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.12 Finance income and costs

Finance income and costs are recognised in profit or loss for all interest-bearing instruments on a time-proportion basis using the effective interest method. Finance costs include the effect of amortising any difference between net proceeds and redemption value in respect of the company's borrowings. Finance income and costs are recognised as they accrue, unless collectability is in doubt.

2. Financial risk management

2.1 Financial risk factors

The company constitutes a financing special purpose vehicle whose bonds are matched by equivalent amounts due from loans receivable from related parties and guaranteed by MMH Holdings Limited. The company's principal risk exposures relate to credit risk and liquidity risk. The company is not exposed to currency risk and the directors deem interest rate risk exposure to be minimal due to matching of its interest costs on borrowings with finance income from its loans receivable from related parties referred to above.

(a) Credit risk

The company measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward-looking information in determining any expected credit loss.

The company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below. The company's exposures to credit risk as at the end of the reporting period are analysed as follows:

	2019	2018
	€	€
Financial assets measured at amortised cost		
Loans receivable from related parties (Note 4)	**14,750,000**	14,750,000
Trade and other receivables	**402,565**	460,011
Cash and cash equivalents (Note 6)	**123,870**	1,662
	15,276,435	15,211,673

The company does not hold collateral as security on its loans receivable. As disclosed in note 8, MMH Holdings Limited has issued corporate guarantees with respect to the company's bonds. These borrowings have been loaned to MMH Holdings Limited and MMH Malta Limited through the issue of the company's loans receivable.

The company assess on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. Management consider 'low credit risk' for instruments, which have a low risk of default, and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. In case of the loans issued and related advances, the assessment takes into consideration the financial position, performance and other factors of the related parties. Management monitors intra-group credit exposures on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The company takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default. The application of the expected credit risk model of IFRS 9, resulted in an immaterial loss allowance on the issuance of the loans receivable and related amounts due, and was therefore not reflected in the financial statements.

At 31 December 2019, cash and short-term deposits are held with counterparties with a good credit rating and are due to be settled within a short period of time. Management consider the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses, as any such impairment would be wholly insignificant to the company.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Liquidity risk

The company is exposed to liquidity risk arising primarily from its ability to satisfy liability commitments depending on cash inflows receivable in turn from MMH Holdings Limited and MMH Malta Limited.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period to ensure that no additional financing facilities are expected to be required over the coming period. This process is performed through a rigorous assessment of detailed cash flow projections of the Group headed by its parent company where matching of cash inflows and outflows arising from expected maturities of financial instruments are assessed on an annual basis.

The carrying amounts of the company's assets and liabilities are analysed into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date in the respective notes to the financial statements.

The following tables analyse the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Carrying amount €	Contractual cash flows €	Within one year €	One to five years €	Over five years €
31 December 2019					
Unsecured bonds	15,000,000	20,040,000	720,000	2,880,000	16,440,000
Trade and other payables	164,238	164,238	164,238	-	-
	15,164,238	**20,204,238**	**884,238**	**2,880,000**	**16,440,000**

	Carrying amount €	Contractual cash flows €	Within one year €	One to five years €	Over five years €
31 December 2018					
Unsecured bonds	15,000,000	20,760,000	720,000	2,880,000	17,160,000
Trade and other payables	182,231	182,231	182,231	-	-
	15,182,231	20,942,231	902,231	2,880,000	17,160,000

2. Financial risk management - continued

2.2 Capital risk management

The company's bonds are guaranteed by MMH Holdings Limited. Related finance costs are also guaranteed by this company. The capital management of the company therefore consists of a process of regularly monitoring the financial position of the guarantor.

2.3 Fair values of financial instruments

At 31 December 2019 and 2018, the carrying amounts of receivables (net of loss allowance, if any) and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

As at the end of the reporting period, the fair values of financial assets and liabilities, approximate the carrying amounts shown in the statement of financial position.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the company directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Loans receivable from related parties

	2019 €	2018 €
Loans to parent company and fellow subsidiary		
At beginning and end of year	**14,750,000**	14,750,000
At 31 December		
Cost and net book amount	**14,750,000**	14,750,000

Loans receivable reflect the transfer of funds to MMH Holdings Limited and MMH Malta Limited generated by the company from its bond. These loans are repayable in 2026.

Weighted average effective interest rate as at 31 December:

	2019	2018
Loans to parent company and fellow subsidiary	**5.95%**	5.95%

5. Trade and other receivables

	2019 €	2018 €
Current		
Amounts due from parent	**56,031**	220,577
Amounts due from fellow subsidiary	**346,534**	239,434
Prepayments and accrued income	**7,833**	10,248
	410,398	470,259

Amounts due from parent and fellow subsidiary are unsecured, interest-free and repayable on demand.

6. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2019 €	2018 €
Cash and cash equivalents	**123,870**	1,662

7. Share capital

	2019 €	2018 €
Authorised, issued and fully paid up		
250,000 ordinary shares of €1 each	**250,000**	250,000

8. Borrowings

	2019 €	2018 €
Non-current		
15,000,000 4.80% unsecured bonds 2026	**14,741,187**	14,709,896

The unsecured bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of such bonds, using the effective yield method as follows:

	2019 €	2018 €
Face value		
15,000,000 4.80% bonds 2026	**15,000,000**	15,000,000
	15,000,000	15,000,000
Issue costs	**(354,188)**	(354,188)
Accumulated amortisation	**95,375**	64,084
Closing net book amount	**(258,813)**	(290,104)
Amortised cost at 31 December	**14,741,187**	14,709,896

The interest rate exposure of the borrowings of the company was as follows:

	2019	2018
Total borrowings:		
At fixed rates	**4.80%**	4.80%

The effective interest rates as at the end of the reporting period were as follows:

	2019	2018
Bonds 2026	**4.80%**	4.80%

8. Borrowings - continued

This note provides information about the contractual terms of the company's borrowings. For more information about the company's exposure to interest rate and liquidity risk, refer to note 2.

By virtue of an offering memorandum dated 16 September 2016, the company issued €15,000,000 bonds with a face value of €1,000 each. The bond's interest is payable annually in arrears on 14 October. The bonds are redeemable at par and are due for redemption on 14 October 2026 but the issuer may at any time purchase Bonds in the open market or otherwise at any price. The bonds are guaranteed by MMH Holdings Limited, which has bound itself jointly and severally liable for the payment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. The bonds have been admitted on the Official List of the Malta Stock Exchange on 19 October 2016. The quoted market price as at 31 December 2019 for the bonds was €102 (2018: €104). In the opinion of the directors these market prices fairly represent the fair value of these financial liabilities.

9. Trade and other payables

	2019	2018
	€	€
Current		
Accruals and deferred income	**164,238**	164,753
Amounts owed to fellow subsidiary	**-**	17,478
	164,238	182,231

Amounts owed to fellow subsidiary are unsecured, interest-free and repayable on demand.

10. Finance income

	2019	2018
	€	€
Interest on loans to parent and fellow subsidiary	**877,625**	877,625

11. Finance costs

	2019	2018
	€	€
Coupon interest payable on bonds	**720,000**	720,000
Amortisation of bond issue costs	**31,292**	29,771
	751,292	749,771

12. Expenses by nature

Administrative expenses are classified by their nature as follows:

	2019 €	2018 €
Listing and related compliance costs	**16,942**	17,327
Directors' fees (Note 14)	**50,000**	50,000
Other expenses	**10,342**	10,590
	77,284	77,917

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2019 and 2018 relate to the following:

	2019 €	2018 €
Annual statutory audit	**7,000**	7,000
Tax advisory and compliance services	**200**	200
	7,200	7,200

13. Tax expense

	2019 €	2018 €
Current tax expense - Group relief	**-**	17,478

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2019 €	2018 €
Profit before tax	**49,049**	49,937
Tax on profit at 35%	**17,167**	17,478
Tax effect by:		
Unrecognized deferred tax movement	**(17,167)**	-
Tax expense	**-**	17,478

At 31 December 2019, the company had an unrecognized deferred tax asset of €39,980 arising an unabsorbed group relief that has not been recognized in these financial statements.

14. Directors' emoluments

	2019	2018
	€	€
Directors' fees	**50,000**	50,000

15. Cash from/(used in) operations

Reconciliation of profit before tax to cash from/(used in) operations:

	2019	2018
	€	€
Profit before tax	**49,049**	49,937
Adjustment for:		
Amortisation of bond issue costs	**31,291**	29,771
Changes in working capital:		
Trade and other receivables	**59,861**	(98,451)
Trade and other payables	**(17,993)**	(21,410)
Cash from/(used in) operations	**122,208**	(40,153)

16. Related party transactions

The company forms part of the MMH Group of Companies. All companies forming part of the MMH Group are related parties since these companies are all ultimately owned by MMH Holdings Limited. Trading transactions between these companies include items which are normally encountered in a group context. The group is ultimately fully owned by Paul Abela. Companies owned directly by Paul Abela are also considered to be related parties. The main related parties with whom transactions are entered into by the Company are MMH Malta Limited and MMH Holdings Limited, the guarantor of the borrowings (Note 8).

The following are the transactions that were carried out with related parties:

	2019	2018
	€	€
Income statement		
Finance income from parent and fellow subsidiary	**877,625**	877,625

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in note 14 to the financial statements.

Year end balances arising from related party transactions are disclosed in notes 4, 5 and 9 to the financial statements.

17. Events subsequent to the end of the reporting period

The present COVID-19 Pandemic with its underlying uncertainties has hit most industries in Malta and abroad. The industrial and commercial sectors which are serviced by the group are no exception. The company recognises that the key risk and uncertainty of its operations is that of the potential non fulfilment by the borrowers, MMH Malta Limited and MMH Holdings Limited - the main operating subsidiary and the holding company of the group, of their obligations under the relative loan agreements.

Notwithstanding the crisis being caused by the pandemic, the Group's operations are all open for business and could be pursued to a certain extent during the pandemic so far, the global impact of the pandemic has and will surely have a significant effect on the group's operations during 2020 and on the financial results expected to be registered during the year with material adverse impacts on the profitability, cash flows and financial position of the group. This is due to the far reaching implications of the pandemic, amongst which are the consequences of the fall of crude oil prices, which are reaching unprecedented lows that no one would have ever conceived. As a result, the future is inevitably unclear and, like most industries across the world, the Group has found itself in a situation where it has to adapt quickly and is so doing in order to move forward recognising that the effects of the pandemic are constantly changing.

The Group has carried out an assessment of the potential impact that the COVID-19 pandemic will have on its operations, focusing primarily on the coming year. The Group has taken various measures to significantly reduce the risk of a mandatory fourteen-day lockdown in the case that any Group employee contracts the virus. The Group has prepared cash flow forecasts to measure the impact of the reduction in the Group's revenue and of the several cost-cutting measures that are being taken to minimse the effect of the crisis. Cash flow forecasts were prepared for the 12-month period ending March 2021 on the basis of a number of assumptions which as deemed by management to be as realistic as possible with the information and data in hand at the time of approving these financial statements. These cash flow forecast indicates that sufficient cash will be generated throughout the next twelve months to enable the Group to meet its financial commitments. These include amongst others honouring the loan agreements obligation that the group has with the company.

This cash flow forecast however shows that the Group does not have a strong buffer that could cater for any adverse divergencies from the anticipated activity. This results from the impact of COVID-19, as well as from the substantial investment undertaken by the Group in the development of the Hub. Having said that, the Company is informed that further financing is being sought by the Group as a safeguard to make good for any such variances, if they occur. The Group is confident that, with the COVID-19-related Government assistance in place, such financing may be easier to obtain. Furthermore, other measures are being considered to strengthen the Group's ability to realise the Hub's potential as soon as possible once the pandemic is over.

In any case, the Company has already secured funds to cover a considerable part of the Bond interest due in October 2020, leaving the remaining balance to be financed by the Group before such due date.

Having taken into consideration the above assessment and facts, the directors of the company concluded that the group will be in a position to honour its obligations towards the company which in turn should fulfil its commitments which in principal include the payment of Bond interest due in October 2020. The Directors declare, at the time of approving the financial statements, that they have determined that the Company has the needed resources to continue operating for the next twelve months. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

18. Statutory information

Mediterranean Maritime Hub Finance p.l.c. is a limited liability company and is incorporated in Malta.

The ultimate and immediate parent company of Mediterranean Maritime Hub Finance p.l.c. is MMH Holdings Limited, a company registered in Malta, with its registered address at Head Office Building, Mediterranean Maritime Hub, Xatt il-Mollijiet, Marsa.

The ultimate controlling party of MMH Holdings Limited is Mr. Paul Abela.